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TEXT OF PROPOSED MEMORANDUM

MEMORANDUM

TO : Chairman, Executive Committee, EDAC
FROM : Chairman, IWG
SUBJECT : Final Report and Recommendation of the IWG Subgroup on
External Financial Operations of the Soviet Bloc

1. Attached is the report of the IWG Subgroup on External Financial Operations of the Soviet Bloc. This report was reviewed by the IWG and discussed at length at meetings on 28 January and 11 February 1954. Although there was general concurrence with the body of the report and particularly the need for intelligence support in the financial field, there was lack of unanimity on the subgroup's recommendation from the standpoint of priorities and the designation or establishment of a special unit.

2. It was agreed in the IWG that the matter of additional financial intelligence support in the economic defense field should be considered in the light of all other requirements for support placed upon the intelligence community. Because of budget limitations, an expanded intelligence program in the financial field can probably be undertaken only by reducing other support programs. The statement of priorities for economic defense intelligence support is, however, the responsibility of the operating agencies rather than of the intelligence agencies or the IWG, although reports such as the attached may provide information or assistance to this end. The IWG, therefore, is not in a position to recommend that a higher priority be assigned to intelligence support in the financial field. Once an adequate priority is established, however, the IWG (OIR dissenting)

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makes the recommendation below.

3. The IWG recommendation which is to be substituted for the recommendation on page 3 of the Subgroup report and also for the first two sentences of the recommendation on page 25 is as follows:

If intelligence support in the financial field is given adequate priority by the operating agencies, the IWG would recommend* that: a unit within an appropriate division or component of an intelligence agency be assigned the responsibility of coordinating on a continuing basis within the Government, the review, collation and analysis of incoming intelligence on the external financial operations of the Soviet bloc, and undertaking, on its own initiative, such intelligence support work, as may be required to meet the priority needs of the action agencies, where other facilities are not available. This unit should utilize existing facilities to the greatest extent possible. It should make intelligence available to the various agencies and would perform, as a service of common concern, where facilities are not already available, the following functions:

- a. To process (i.e., review, collate, compile, summarize) incoming intelligence on the external financial operations of the Soviet bloc countries.
- b. To establish and maintain central reference files and extraction indices (for use of appropriate elements of the various agencies).

* The Office of Intelligence Research concurs in the statement of intelligence needs for services and analysis as set forth in this report, but is not prepared to support the request for the designation or establishment of a special organizational unit to meet this requirement.

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- c. To maintain continuing collation and analysis of specific aspects of the subject.
- d. To call the attention of appropriate elements of the EDAC structure to important developments or events in this field, particularly those related to enforcement of existing trade and financial controls.
- e. To reply to spot inquiries from appropriate elements of the EDAC structure for information on these subjects.
- f. To initiate, or upon request prepare, reports on these subjects. Also upon request to provide financial information needed in the development of new economic defense policies and programs.
- g. To recommend to the IWG, areas of this field which should receive priority attention or intensive study analysis or research, and to recommend priority attention as required. In this connection to prepare or assist in the preparation of requests to other appropriate components of the intelligence community for research on any of these subjects, or aspects thereof.

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